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FISCAL IMPACT STATEMENT

LS 7100

BILL NUMBER: HB 1259

NOTE PREPARED: Mar 14, 2006

BILL AMENDED: Mar 14, 2006

SUBJECT: Military Bases.

FIRST AUTHOR: Rep. Koch

FIRST SPONSOR: Sen. Steele

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: *Military Base Planning Council:* The bill adds members to the Military Base Planning Council. The bill also extends the responsibilities of the Council to include Camp Atterbury and the Muscatatuck Urban Training Center (MUTC).

Military Base Enhancement Areas: The bill provides that a county in which the Crane Military Base is located is a qualified military base enhancement area.

Other Provisions: The bill requires the Department of Environmental Management to give priority to certain permit applications concerning Camp Atterbury and the MUTC. The bill also grants civil immunity for noise pollution and telecommunications interference to Camp Atterbury and the MUTC.

Effective Date: July 1, 2006.

Explanation of State Expenditures: *Military Base Planning Council:* The bill makes the following two changes relating to the Council.

(1) The bill adds the Commissioner of the Department of Workforce Development, the President of the Indiana Economic Development Corporation, the Director of the Office of Energy and Defense Development, and one member each of the county executive bodies appointed by the county executives of Daviess County, Monroe County, and Orange County to the membership of the Military Base Planning Council. (Note: The bill also changes the membership of the Director of the State Emergency Management Agency to the Executive Director of the Department of Homeland Security.) The fiscal impact of this change is dependent on the number of

meetings held by the Council, the locations at which the meetings are held, and the attendance at meetings by these six new Council members. The new Council members would be entitled to reimbursement for traveling expenses and other expenses actually incurred in connection with the member's duties. As of October 2005, the mileage reimbursement rate was \$0.34 per mile.

Under current statute, the Council consists of members of the Senate and House of Representatives, the Lieutenant Governor, the Adjutant General, the Commissioners of the Department of Environmental Management and Department of Transportation, and the Director of the State Emergency Management Agency.

(2) The bill expands the scope of the Council's responsibilities to include the Muscatatuck Urban Training Center in Jennings County and Camp Atterbury in Johnson County. Current statute requires the Council to study and identify infrastructure, community support needs, collaborative opportunities, and other factors that improve mission efficiencies and enhance the economic benefits of the Crane Military Base to Indiana. The bill would extend these responsibilities of the Council to: (1) the MUTC, which is currently operated by the Indiana National Guard for the purpose of training homeland defense and security professionals; and (2) Camp Atterbury, which is currently a joint training center for active and reserve military components and the mobilization site for units of the National Guard and U.S. Army Reserve.

Explanation of State Revenues: *Military Base Enhancement Areas:* The bill extends three existing tax incentives applicable to businesses locating or expanding within a "qualified military base enhancement area" to qualified businesses located in Greene, Lawrence, and Martin Counties. This change could potentially reduce revenue from the Sales and Use Tax and Adjusted Gross Income (AGI) Tax if a qualified business locates or expands operations in one of these counties. The net revenue impact depends on the extent that tax collections on employees or other taxable activities attributable to the newly located or expanded business operations deviate from the amount of tax incentives claimed by the business. However, if the business location or expansion would have occurred in the absence of these tax incentives, the net impact would be the total incentives claimed by the business. Any resultant fiscal impact due to the bill could commence in FY 2007 depending upon when business operations qualify for the tax incentives.

Background: Under current statute, three state tax incentives are applicable to a business that locates or expands in a "qualified military base enhancement area" and satisfies at least one of the following criteria:

- (1) the business is a participant in the technology transfer program conducted by the Crane Military Base;
- (2) the business is a U.S. Department of Defense contractor;
- (3) the business has a mutually beneficial relationship with the Crane Military Base as evidenced by a memorandum of understanding with the U.S. Department of Defense.

Under current statute, a military base enhancement area comprises only territory in a certified technology park that is located within five miles of the Crane Military Base. Currently, a certified technology park comprising parts of Daviess County, Greene County, and Martin County adjacent to the Crane Military Base is a qualified military base enhancement area. The bill extends this status and the tax incentives to three counties containing portions of the Crane Military Base - Greene County, Lawrence County, and Martin County. However, to qualify for the tax incentives outside the certified technology park, a business must satisfy either criterion (1) or (3) described above. The enhancement area tax incentives are as follows:

(1) A Sales Tax exemption for utility services purchased by a business that relocates or expands all or part of its operations to a facility located in a qualifying area. The services are exempt for the first five years the business operates in the facility.

(2) A reduction from 8.5% to 5% in the Corporate Adjusted Gross Income Tax rate for a corporation that locates all or part of its operations (including expansions) to a qualifying area. The corporate rate reduction would apply only to income derived by the corporation from sources located in a qualifying area during the taxable year in which the corporation located to the qualifying area and the next four succeeding taxable years.

(3) A nonrefundable AGI Tax credit for investment in a business that locates all or part of its operations (including expansions) to a qualifying area. Creditable investment includes both equity financing and debt financing. Credits are awarded for the cost of investment and for jobs created due to the investment. The percentage credits allowed vary depending upon the type of investment, the type of business, and the number of jobs created. The taxpayer may carry over any unused credit amount to subsequent taxable years. The taxpayer is not eligible to carry back any unused credit. For pass through entities, the credit may be claimed by shareholders, partners, or members in proportion to their distributive income from the pass through entity.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Military Base Planning Council; Indiana Economic Development Corporation; Department of Workforce Development; Department of Homeland Security; Department of Environmental Management.

Local Agencies Affected: County executives in Daviess County, Monroe County, and Orange County.

Information Sources:

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